

7177

OFFICIAL
COPY
DO NOT SEND OUT
If necessary
copy to the
copy to the
BACK in FILE

RECEIVED
LEGISLATIVE AUDITOR
2009 JAN -5 PM 12:34

CITY OF BAKER SCHOOL BOARD
ANNUAL FINANCIAL REPORT
AS OF AND FOR THE
YEAR ENDED JUNE 30, 2008

Dr. Estes Taplin, Superintendent

Board Members

Doris Alexander
Dana Carpenter
Jane Freudenberger
George Gallman
Pam Malveaux

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 1/28/09

**CITY OF BAKER SCHOOL BOARD
ANNUAL FINANCIAL REPORT
AS OF AND FOR THE YEAR ENDED JUNE 30, 2008**

TABLE OF CONTENTS

	<u>Page No.</u>
FINANCIAL SECTION	
Independent Auditors' Report.....	1
Basic Financial Statements	
Required Supplemental Information (Part 1 of 2)	
Managements' Discussion and Analysis.....	4
Government-Wide Financial Statements	
Statement of Net Assets.....	10
Statement of Activities.....	11
Fund Financial Statements	
Governmental Funds:	
Balance Sheet.....	13
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets.....	14
Statement of Revenues, Expenditures and Changes in Fund Balances.....	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities.....	16
Fiduciary Funds:	
Statement of Fiduciary Net Assets.....	17
Notes to the Financial Statements	
Index.....	19
Notes.....	20
Required Supplemental Information (Part 2 of 2)	
Budgetary Comparison Schedule.....	35

**CITY OF BAKER SCHOOL BOARD
ANNUAL FINANCIAL REPORT
AS OF AND FOR THE YEAR ENDED JUNE 30, 2008**

TABLE OF CONTENTS

	<u>Page No.</u>
COMBINING FUND STATEMENTS	
Other Governmental Funds:	
Combining Balance Sheet.....	37
Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....	38
SUPPLEMENTARY SCHEDULES AND INFORMATION	
Schedule of Compensation Paid to Governing Members.....	40
Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	41
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with <i>OMB Circular A-133</i>	43
Schedule of Expenditures of Federal Awards.....	45
Schedule of Findings and Questioned Costs.....	46
Schedule of Prior Year Findings.....	48
Management's Corrective Action Plan.....	50
STATE REPORTING SECTION	
Schedules Required by State Law – Performance and Statistical Data	
Independent Auditors' Report on Applying Agreed-Upon Procedures.....	52
General Fund Instructional and Support Expenditures and Certain Local Revenue Sources.....	56
Education Levels of Public School Staff.....	57
Number and Type of Public Schools.....	58

**CITY OF BAKER SCHOOL BOARD
ANNUAL FINANCIAL REPORT
AS OF AND FOR THE YEAR ENDED JUNE 30, 2008**

TABLE OF CONTENTS

	<u>Page No.</u>
Experience of Public Principals and Full-time Classroom Teachers.....	59
Public School Staff Data.....	60
Class Size Characteristics.....	61
Louisiana Educational Assessment Program (LEAP) for the 21 st Century.....	62
The Graduation Exit Exam for the 21 st Century.....	63
The IOWA and iLEAP Tests.....	64

MARY SUE STAGES, CPA
A PROFESSIONAL ACCOUNTING CORPORATION

.....
3121 Van Buren Street, Suite A
P. O. Box 30
Baker, Louisiana 70704-0030
Phone (225) 775-4982 * Fax (225) 775-4912
mstages@butlercpa.brcoxmail.com

Louisiana Society of Certified Public Accountants
American Institute of Certified Public Accountants
Association of Governmental Accountants
Governmental Audit Quality Control Center

INDEPENDENT AUDITORS' REPORT

Dr. Estes Taplin, Superintendent
and the Members of the Baker School Board
City of Baker School Board
P. O. Box 680
Baker, Louisiana 70704-0680

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the City of Baker School Board as of and for the year ended June 30, 2008, which collectively comprise the City of Baker School Board's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the City of Baker School Board's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

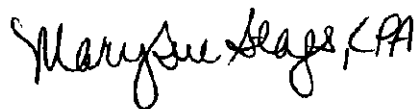
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the City of Baker School Board as of June 30, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The required supplemental information, as listed in the table of contents, is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. This required supplemental information is the responsibility of the City of Baker School Board's management. It has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects when considered in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2008, on our consideration of the City of Baker School Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering with results our audit.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The combining and individual fund statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City of Baker School Board. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Mary Sue Stages CPA". The signature is written in a cursive, flowing style.

Mary Sue Stages, CPA
A Professional Accounting Corporation
December 19, 2008

REQUIRED SUPPLEMENTAL INFORMATION
(PART 1 OF 2)

**CITY OF BAKER SCHOOL BOARD
MANAGEMENTS' DISCUSSION & ANALYSIS
JUNE 30, 2008**

As management of the City of Baker School Board, we offer readers of the City of Baker School Board's financial statements this narrative overview and analysis of the financial activities of the City of Baker School Board for the fiscal year ended June 30, 2008. The emphasis of discussions about these statements will be on current year data.

This discussion and analysis of the City of Baker School Board's financial statements provide an overview of its financial activities for the year.

Financial Highlights

- Net assets increased by \$3,384,711 for the year ended June 30, 2008.
- The one remaining long-term obligation was paid off during the current year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Baker School Board's basic financial statements. The City of Baker School Board's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Baker School Board's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City of Baker School Board's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Baker School Board is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the City of Baker School Board that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Baker School Board include public education and related student activities.

**CITY OF BAKER SCHOOL BOARD
MANAGEMENTS' DISCUSSION & ANALYSIS
JUNE 30, 2008**

The government-wide financial statements can be found on pages 10-11 of this report.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Baker School Board, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Baker School Board can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Baker School Board maintains a general fund, school improvement, food services and numerous non-major governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the general fund, Title I school improvement fund and food services fund which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Baker School Board adopts an annual budget for its general fund and special revenue funds. Budgetary comparison statements have been provided to demonstrate compliance with these budgets.

The basic governmental fund financial statements can be found on pages 13-17 of this report.

Fiduciary funds. Fiduciary funds report resources that are held for other parties and that cannot be used to support the City of Baker School Board's programs. Reporting for these types of funds is based on the flow of economic resources measurement focus and the accrual basis of accounting. The City of Baker School Board maintains one type of fiduciary fund – agency funds. Agency funds are created to

**CITY OF BAKER SCHOOL BOARD
MANAGEMENTS' DISCUSSION & ANALYSIS
JUNE 30, 2008**

account for resources held on a temporary, purely custodial basis until such time, as determined by legal contract or circumstances, they are returned to their owner(s). The fiduciary fund statements can be found on page 18 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are indexed on page 20 and begin immediately after.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Baker School Board's budgetary comparison schedules for its governmental funds following the notes.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information on budgetary comparison schedules. Combining and individual fund statements and schedules can be found beginning on page 40 of this report.

Government-wide Financial Analysis

The following is a summary of the City of Baker School Board's net assets:

**SUMMARY OF NET ASSETS
Governmental Activities**

	<u>2008</u>	<u>2007</u>
Assets:		
Current and other assets	\$ 15,720,721.17	\$12,783,275.91
Capital assets, net	<u>1,717,523.76</u>	<u>2,024,617.61</u>
Total Assets	17,438,244.93	14,807,893.52
Liabilities:		
Other liabilities	2,497,617.45	3,058,800.30
Long-term liabilities	<u>706,051.71</u>	<u>899,228.60</u>
Total Liabilities	<u>3,203,669.16</u>	<u>3,958,028.90</u>
Net Assets:		
Investment in capital assets, net of related debt	1,717,523.76	2,024,617.61
Restricted	824,843.95	1,937,518.59
Unrestricted	<u>11,692,208.06</u>	<u>6,887,728.42</u>
Total Net Assets	<u>14,234,575.77</u>	<u>10,849,864.62</u>

**CITY OF BAKER SCHOOL BOARD
MANAGEMENTS' DISCUSSION & ANALYSIS
JUNE 30, 2008**

By far the largest portion of the City of Baker School Board's net assets (82%) reflects its unrestricted net assets – that portion available for operations without legal restriction. An additional portion of the City of Baker School Board's net assets (8%) represents resources that are subject to external restrictions on how they may be used.

The following is a summary of the City of Baker School Board's changes in net assets:

**SUMMARY OF CHANGES IN NET ASSETS
Governmental Activities**

	<u>2008</u>	<u>2007</u>
Revenues:		
Charges for services	\$ 84,400.34	\$ 91,520.18
Operating grants and Contributions	16,260,424.45	16,206,592.44
Capital grants and Contributions	.00	45,000.00
General revenues:		
Sales taxes	5,191,471.22	3,286,461.61
Property taxes	1,437,506.48	1,435,206.47
Other revenues, net	<u>214,593.04</u>	<u>178,631.53</u>
Total Revenues	23,188,395.53	21,243,412.23
Expenses:		
Instructional services	11,237,700.50	10,132,927.41
Support services	8,108,343.82	7,099,243.57
Interest on long-term debt	.00	6,516.66
Depreciation	<u>457,640.06</u>	<u>378,275.00</u>
Total Expenses	<u>19,803,684.38</u>	<u>17,616,962.64</u>
Change in Net Assets	<u>3,384,711.15</u>	<u>3,626,449.59</u>

Capital Asset and Debt Administration

Capital Assets. The City of Baker School Board's investment in capital assets for its governmental as of June 30, 2008 and 2007, amounts to \$1,717,524 and \$2,024,618, respectively (net of accumulated depreciation and related debt). This investment in capital assets includes land, buildings, improvements, equipment and furniture.

**CITY OF BAKER SCHOOL BOARD
MANAGEMENTS' DISCUSSION & ANALYSIS
JUNE 30, 2008**

Capital assets as of June 30, 2008, are detailed in the following table.

CAPITAL ASSETS		
Net of Accumulated Depreciation		
Governmental Activities		
	<u>2008</u>	<u>2007</u>
Land	\$ 149,536.00	\$ 149,536.00
Buildings and improvements	1,273,092.00	1,402,219.00
Furniture and equipment	<u>294,895.76</u>	<u>472,862.61</u>
Total	<u>1,717,523.76</u>	<u>2,024,617.61</u>

There were no major capital events during the current fiscal year. Additional information on the City of Baker School Board's capital assets can be found in the notes to this report.

Debt Administration. At the end of the current fiscal year, the City of Baker School Board had no long-term debt outstanding.

Budgetary Highlights

The School Board's revenues were \$59,613 less than anticipated due primarily from decreased grants and other such awards. Expenditures were \$3,357,742 less than budgeted amounts providing an excess of revenues over expenditures of \$3,298,128 more than was originally anticipated.

Request for Information

This financial report is designed to provide a general overview of the City of Baker School Board's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Ms. Sidney Stewart, Business Manager, City of Baker School Board, P. O. Box 680 , Baker, Louisiana 70704-0680, (225) 774-5795.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF BAKER SCHOOL BOARD
STATEMENT OF NET ASSETS
JUNE 30, 2008

<u>ASSETS</u>	<u>Governmental Activities</u>
Cash and cash equivalents	\$ 9,266,694.62
Investments	216,589.69
Receivables, net	3,144,950.73
Due from other funds	2,436,332.91
Inventory, at cost	24,010.25
Restricted assets:	
Cash and cash equivalents	632,142.97
Capital assets, net	<u>1,717,523.76</u>
Total Assets	17,438,244.93
 <u>LIABILITIES</u>	
Due to other funds	2,436,332.91
Deferred revenues	61,284.54
Claims and judgements	250,000.00
Compensated absences	<u>456,051.71</u>
Total Liabilities	<u>3,203,669.16</u>
 <u>NET ASSETS</u>	
Invested in capital assets, net of related debt	1,717,523.76
Restricted for:	
Inventories	24,010.25
School-based activities	800,833.70
Unrestricted	<u>11,692,208.06</u>
Total Net Assets	<u><u>14,234,575.77</u></u>

See Accompanying Notes and Auditors' Report

**CITY OF BAKER SCHOOL BOARD
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008**

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net Revenues (Expenses)</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental Activities				
Instructional services	\$ 11,237,700.50	\$ -	\$ 16,257,924.45	\$ -
Support services	8,108,343.82	84,400.34	2,500.00	-
Depreciation	457,640.06	-	-	-
				<u>(457,640.06)</u>
Total Governmental Activities	19,803,684.38	84,400.34	16,260,424.45	(3,458,859.59)
General Revenues and Transfers				
Taxes - property				1,437,506.48
Taxes - sales				5,191,471.22
Interest earned				175,403.06
Other revenues				<u>39,189.98</u>
			Total General Revenues and Transfers	<u>6,843,570.74</u>
Change in Net Assets				3,384,711.15
Net Assets, beginning				<u>10,849,864.62</u>
Net Assets, ending				<u><u>14,234,575.77</u></u>

See Accompanying Notes and Auditors' Report

FUND FINANCIAL STATEMENTS

**CITY OF BAKER SCHOOL BOARD
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008**

	General Fund	Title I School Imp Fund	Food Services	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>					
Cash and cash equivalents	\$ 9,266,694.62	\$ -	\$ -	\$ -	\$ 9,266,694.62
Investments	216,589.69	-	-	-	216,589.69
Receivables, net	478,642.55	1,083,216.87	166,431.91	1,416,659.40	3,144,950.73
Due from other funds	2,436,332.91	-	-	-	2,436,332.91
Inventory, at cost	-	-	24,010.25	-	24,010.25
Restricted assets:					
Cash and cash equivalents	-	-	560,599.57	71,543.40	632,142.97
TOTAL ASSETS	12,398,259.77	1,083,216.87	751,041.73	1,488,202.80	15,720,721.17
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:					
Due to other funds	-	1,063,170.82	-	1,373,162.09	2,436,332.91
Deferred revenues	-	-	-	61,284.54	61,284.54
Total Liabilities	-	1,063,170.82	-	1,434,446.63	2,497,617.45
Fund Balances:					
Reserved for:					
Inventories	-	-	24,010.25	-	24,010.25
School-based activities	-	20,046.05	727,031.48	53,756.17	800,833.70
Unreserved, undesignated	12,398,259.77	-	-	-	12,398,259.77
Total Fund Balances	12,398,259.77	20,046.05	751,041.73	53,756.17	13,223,103.72
TOTAL LIABILITIES AND FUND BALANCES	12,398,259.77	1,083,216.87	751,041.73	1,488,202.80	15,720,721.17

See Accompanying Notes and Auditors' Report

CITY OF BAKER SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS
JUNE 30, 2008

Total Fund Balances - Total Governmental Funds \$ 13,223,103.72

Amounts reported for governmental activities in the
Statement of Net Assets are different because:

Capital assets used in governmental activities are not current
financial resources and, therefore, are not reported in the
Governmental Funds Balance Sheet. This is the capital
assets, net of accumulated depreciation, reported on the
Statement of Net Assets. 1,717,523.76

Long-term liabilities are not due and payable in the current
period and, therefore, are not reported in the Governmental
Funds Balance Sheet. This is the long-term liabilities reported
on the Statement of Net Assets:

Compensated absences payable	\$ 456,051.71	
Claims and judgements	<u>250,000.00</u>	<u>(706,051.71)</u>

Total Net Assets - Governmental Activities 14,234,575.77

CITY OF BAKER SCHOOL BOARD
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008

	General Fund	Title I School Imp Fund	Food Services	Other Governmental Funds	Total Governmental Funds
<u>REVENUES</u>					
Local Sources					
Property taxes	\$ 1,437,506.48	\$ -	\$ -	\$ -	\$ 1,437,506.48
Sales taxes	5,191,471.22	-	-	-	5,191,471.22
Grants and contributions	2,500.00	-	-	92,628.90	95,128.90
State Sources					
Minimum Foundation Program	12,006,139.95	-	-	-	12,006,139.95
Other state grants/awards	119,667.78	-	20,499.00	469,372.39	609,539.17
Federal Sources	44,888.13	1,227,819.86	954,574.28	1,322,334.16	3,549,616.43
Charges for services	-	-	84,400.34	-	84,400.34
Interest earned	175,403.06	-	-	-	175,403.06
Miscellaneous revenues	39,189.98	-	-	-	39,189.98
Total Revenues	19,016,766.60	1,227,819.86	1,059,473.62	1,884,335.45	23,188,395.53
<u>EXPENDITURES</u>					
Instructional Services					
Regular programs	6,816,285.51	-	-	879,671.50	7,695,957.01
Special education programs	806,427.31	-	-	754,204.07	1,560,631.38
Other instructional programs	702,256.47	1,145,584.06	-	67,688.87	1,915,529.40
Support Services					
Student activities	886,064.45	-	-	1,785.80	887,850.25
Instructional staff support	481,077.08	82,235.80	-	243,298.59	806,611.47
Administrative support	2,352,260.99	-	-	-	2,352,260.99
Business services	266,822.32	-	-	-	266,822.32
Plant services	1,623,854.61	-	-	-	1,623,854.61
Student transportation	755,476.76	-	-	25,248.51	780,725.27
Central services	313,029.68	-	-	-	313,029.68
Food services	-	-	1,077,189.23	-	1,077,189.23
Capital Outlay	150,546.21				150,546.21
Debt Services					
Principal	295,725.30	-	-	-	295,725.30
Total Expenditures	15,449,826.69	1,227,819.86	1,077,189.23	1,971,897.34	19,726,733.12
Excess (Deficiency) of Revenues over Expenditures	3,566,939.91	-	(17,715.61)	(87,561.89)	3,461,662.41
Fund Balances, beginning	8,831,319.86	20,046.05	768,757.34	141,318.06	9,761,441.31
Fund Balances, ending	12,398,259.77	20,046.05	751,041.73	53,756.17	13,223,103.72

See Accompanying Notes and Auditors' Report

CITY OF BAKER, LOUISIANA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008

Change in Fund Balances - Total Governmental Funds	\$ 3,461,662.41
--	-----------------

Amounts reported for governmental activities in the
Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay charged in the current period.	(307,093.85)
--	--------------

Repayment of bond/note principal is an expenditure in the governmental funds, but the repayment reduces the long-term liabilities in the statement of net assets. This is the principal payments made during the year.	295,725.30
--	------------

Changes in compensated absences is not recognized in the governmental funds as this is considered a long-term liability. However, this liability and the corresponding change is recorded in the government-wide statements. This is the increase in compensated absences during the year.	<u>(65,582.71)</u>
---	--------------------

Change in Net Assets - Governmental Activities	<u><u>3,384,711.15</u></u>
--	----------------------------

**CITY OF BAKER SCHOOL BOARD
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2008**

	<u>Agency Funds</u> <u>Schools</u>
<u>ASSETS</u>	
Cash and cash equivalents	<u>\$ 263,630.32</u>
<u>LIABILITIES</u>	
Deposits held for student activities	<u>263,630.32</u>

See Accompanying Notes and Auditors' Report

NOTES TO THE FINANCIAL STATEMENTS

CITY OF BAKER SCHOOL BOARD
INDEX TO NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

<u>Note No.</u>	<u>Description</u>	<u>Page No.</u>
	Introduction.....	20
1	Summary of Significant Accounting Policies.....	20
2	Cash and Cash Equivalents.....	26
3	Investments.....	27
4	Receivables.....	27
5	Capital Assets.....	28
6	Retirement System.....	28
7	Other Post-employment Benefits.....	30
8	Accounts and Other Payables.....	31
9	Compensated Absences.....	31
10	Long-Term Debt.....	31
11	Restricted Net Assets.....	31
12	Inter-fund Transactions.....	32
13	Leases.....	32
14	Levied Taxes.....	32
15	Funds Held in Escrow.....	33
16	Related Party Transactions.....	33
17	Litigation.....	33
18	Subsequent Events.....	33

CITY OF BAKER SCHOOL BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

INTRODUCTION

The City of Baker School Board (hereafter referred to as the School Board) was created by La. Revised Statute 17:51 to provide public education for the children within the School Board limits of Baker, La. It is authorized by La. Revised Statute 17:81 to establish policies and regulations for its own government consistent with the laws of the State of Louisiana and the regulations of the Louisiana Board of Elementary and Secondary Education. The board is comprised of five members who are elected by district for terms of four years and compensated for their services.

The School Board operates five schools with a total enrollment of nearly 2,000 students. It employs approximately 330 persons, 163 of whom are directly involved in the instructional process. The remainder provides ancillary support such as general administration, maintenance, bus transportation and food services.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting practice of the City of Baker School Board conforms to generally accepted accounting principles as applicable to governments. Such accounting and reporting procedures also conform to the requirements of La. Revised Statute 24:513 and to the guidelines set forth in the *Louisiana Governmental Audit Guide*, and to the industry audit guide *Audits of State and Local Governmental Units*.

The following is a summary of certain significant accounting policies:

Financial Reporting Entity: GASB Statement No. 14, *The Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the School Board is considered a primary government since it is a special purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. Fiscally independent means that the School Board may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges and issue bonded debt. The School Board also has no component units to which the School Board is financially accountable. There are no other primary governments with which the School Board has a significant relationship.

Based upon the above, it has been determined that there are no governmental organizations which should be included in the accompanying financial statements.

Government-wide Accounting: In accordance with Government Accounting Standards Boards Statement No. 34, the School Board has presented a Statement of Net Assets and Statement of Activities for the School Board as a whole. These statements include the primary government and its component units, if applicable, with the exception of fiduciary funds. Those funds are reported separately.

**CITY OF BAKER SCHOOL BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008**

Government-wide accounting is designed to provide a more comprehensive view of the government's operations and financial position as a single economic entity. Government-wide statements distinguish between governmental and business-type activities. The School Board, however, has no business-type activities.

Governmental activities are those financed through taxes, intergovernmental revenues and other non-exchange revenues and are usually reported in governmental and internal service funds. Business activities are financed in whole or in part through fees charged for goods or services to the general public and are usually reported in proprietary funds.

Policies specific to the government-wide statements are as follows:

Eliminating Internal Activity

Interfund receivables and payables are eliminated in the Statement of Net Assets except for the net residual amounts due between governmental and business-type activities. These are presented as internal balances. The allocation of overhead expenses from one function to another or within the same function is eliminated in the Statement of Activities. Allocated expenses are reported by the function to which they were allocated.

Application of FASB Statements and Interpretations

Reporting on governmental-type and business-type activities are based on FASB Statements and Interpretations issued after November 30, 1989, except where they conflict or contradict GASB pronouncements.

Capitalizing Assets

Tangible and/or intangible assets used in operations with an initial useful life that extends beyond one year are capitalized. Infrastructure assets such as roads and bridges are also capitalized. Capital assets are recorded at their historical cost or estimated cost where historical cost is unavailable and are depreciated using the straight-line or modified accelerated recovery cost system methods of depreciation over their estimated useful lives. They are reported net of accumulated depreciation on the Statement of Net Assets.

Program Revenues

The Statement of Activities presents three categories of program revenues – (1) charges for services; (2) operating grants and contributions; and (3) capital grants and contributions. Charges for services are those revenues arising from charges to customers who purchase, use or directly benefit from goods and services provided by the School Board. Grants and contributions, whether operating or capital in nature, are revenues arising from receipts that are reserved for a specific use.

CITY OF BAKER SCHOOL BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

Indirect Expenses

Expenses are reported according to function except for those that meet the definition of special or extraordinary items. Direct expenses are specifically associated with a service or program. Indirect expenses include general government or administration that cannot be specifically traced to a service or program. Governments are not required to allocate indirect expenses to other functions, and the School Board has chosen not to do so.

Operating Revenues

Proprietary funds separately report operating and non-operating revenues.

Reserved Net Assets

Reserved net assets are those for which a constraint has been imposed either externally or by law. The School Board recognized the use of reserved resources for expenditures that comply with the specific restrictions. Reserved resources are exhausted before unreserved net assets are used.

Fund Accounting: The School Board uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

A fund is a separate entity with a self-balancing set of accounts. Funds of the School Board are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate fund types. The fund classifications and a description of each existing fund type follow:

Governmental Funds: Governmental funds account for all or most of the School Board's general activities, including the collection and disbursement of specific or legally reserved monies, the acquisition or construction of general fixed assets, and the servicing of general long-term obligations. Governmental funds include:

1. General Fund - is the general operating fund of the School Board which accounts for all financial resources except those required to be accounted for in other funds; and
2. Special Revenue Funds - account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.
3. Debt Service Fund - accounts for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Fiduciary Funds: Fiduciary funds account for resources held in trust for other parties. As such, the School Board has no equity in these funds. They utilize the flow of economic resources measurement focus and the accrual basis of accounting.

CITY OF BAKER SCHOOL BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

Fiduciary funds of the School Board include:

1. **Agency Funds** – account for assets that do not belong to the School Board and cannot be used to finance the School Board's own operating programs. Agency funds of the School Board include student activity accounts maintained by the five schools operated within the School Board's district.

Basis of Accounting/Measurement Focus: The type of financial statement presentation determines the accounting and financial reporting treatment applied to a fund.

The government-wide statements are reported using an economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and liabilities associated with the operation of governmental activities are included in the Statement of Net Assets. Revenues are recognized when earned, and expenses are recognized at the time the liabilities are incurred in the Statement of Activities. In these statements, capital assets are reported and depreciated in each fund.

All governmental funds are reported using a current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements present increases and decreases in net current assets. Expenditures for capital assets are reported as current expenses, and such assets are not depreciated.

Budgets and Budgetary Accounting: The School Board is required by state law to adopt an annual budget for its general fund and each special revenue fund. It is prepared on the modified accrual basis of accounting. Budgeted amounts shown are as originally adopted and as amended by the School Board. Budget amendments are passed on an as needed basis. A balanced budget is required. Appropriations lapse at year-end.

State statutes require the School Board to amend its budgets when revenues are expected to be less than budgeted revenues by 5% or more and/or expenditures are expected to exceed budgeted expenditures by 5% or more.

Cash and Cash Equivalents: Cash includes amounts in demand deposits, interest bearing demand deposits, money market accounts and certificates of deposits. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under State law, the School Board may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

For purposes of the statement of cash flows, the School Board considers all investments with maturities of less than 90 days to be cash and cash equivalents.

CITY OF BAKER SCHOOL BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

Investments: Investments are limited by La. Revised Statute 33:2955 and the School Board's investment policy. If the original maturities of investments exceed 90 days, they are classified as investments. Otherwise, the investments are classified as cash and cash equivalents. In accordance with GASB Statement No. 31, investments are recorded at fair value with the corresponding increase or decrease reported in investment earnings.

Inventory: Inventory includes food purchased and commodities granted by the U.S. Department of Agriculture (USDA) through the La. Department of Agriculture and Forestry. Inventory is stated at cost and is maintained through utilization of a perpetual system when purchased. The cost is recorded as an expenditure at the time of purchase. Commodities are assigned values based on information provided by the USDA. A physical count is made at the end of each year. The inventory value at year-end is offset by a fund balance reserve that indicates it does not constitute available, spendable resources.

Receivables: Receivables are recorded net of any allowance for uncollectible amounts. Revenues become susceptible to accrual when they become both measurable and available.

Prepaid Items: Payments to vendors representing costs applicable to future periods are recorded as prepaid items. In these financial statements, prepaid items include insurance and pre-need burial items.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Restricted Assets: Certain proceeds are classified as restricted assets on the statement of net assets because their use is limited. Components of restricted assets are as follows:

Food services	\$ 560,599.57
Student assistance programs	67,665.24
Local grant programs	<u>3,878.16</u>
Total	<u>632,142.97</u>

These restricted assets consist solely of cash and cash equivalents.

CITY OF BAKER SCHOOL BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

Capital Assets: The School Board's assets are recorded at historical cost or estimated cost if historical cost is not available. Donated assets are valued at their estimated fair value on the date of donation.

Depreciation is recorded using the straight-line method or the modified accelerated recovery cost system over the estimated useful lives of the assets as follows:

Buildings	10-40 years	Vehicles	3-20 years
Equipment	4-10 years	Infrastructure	40-50 years
Office furniture	5-10 years		

Compensated Absences: The School Board allows annual leave at a rate of ten days per year for all twelve-month full-time employees. Upon retirement or termination of employment, the employee may choose to be paid for any unused accumulated annual leave days at his/her current daily rate of pay, or convert such unused accumulated annual leave to service credit for retirement purposes. In this case, such conversion shall be governed by applicable statutes and/or rules and regulations of the respective retirement system.

All employees hired for the school year or longer shall be granted a minimum of ten days of sick leave per year because of personal illness or other emergencies without loss of pay. Such leave, when not used, shall be allowed to accumulate to the credit of the employee without limitation. Upon retirement or death, the School Board shall pay the employee or his/her heirs or assigns, for any unused sick leave, not to exceed twenty-five days. Such pay shall be at the daily rate of pay paid to the employee at the time of his/her retirement or death.

Sabbatical leave may be granted for the purpose of professional, cultural or medical leave.

At June 30, 2008, employees of the School Board had accumulated and vested \$456,052 of employee leave benefits.

Long-Term Obligations: In the government-wide financial statements, debt principal payments of government activities are reported as decreases in the balance of the liability on the statement of net assets. In the fund financial statements, however, debt principal payments of governmental funds are recognized as expenditures when paid.

Net Assets/Fund Balances: In the statement of net assets, the difference between a government's assets and liabilities is recorded as net assets. The three components of net assets are as follows:

Invested in Capital Assets, Net of Related Debt

This category records capital assets net of accumulated depreciation and is reduced by any

**CITY OF BAKER SCHOOL BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008**

outstanding balances of bonds, mortgages, notes or other borrowings attributable to the acquisition, construction or improvement of capital assets.

Restricted Net Assets

Net assets that are reserved by external sources such as banks or by law are reported separately as restricted net assets. When assets are required to be retained in perpetuity, these non-expendable net assets are recorded separately from expendable net assets. These are components of restricted net assets.

Unrestricted Net Assets

This category represents net assets not appropriable for expenditures or legally segregated for a specific future use.

In the balance sheet of governmental funds, fund balances are segregated as follows:

Reserved

These resources are segregated because their use is earmarked for a specific use.

Unreserved

This category represents that portion of equity not appropriable for expenditures or legally segregated for a specific future use.

Interfund Transactions: All interfund transactions except quasi-external transactions, are reported as operating transfers. These are eliminated in the government-wide statements.

Total Columns on Combined Statements: Total columns, when used on combined statements, are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not represent financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 2 - CASH AND CASH EQUIVALENTS

Deposits are stated at cost, which approximates market. Under state law, they must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal or exceed the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

Even though the pledged securities are considered uncollateralized under the provisions of GASB Statement No. 3, La. Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to

CITY OF BAKER SCHOOL BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

advertise and sell the pledged securities within 10 days of being notified that the fiscal agent has failed to pay deposited funds upon demand.

The cash and cash equivalents on hand at June 30, 2008, are as follows:

Demand deposits	\$ 107,782.42
Interest-bearing demand deposits	<u>9,791,055.17</u>
Total	<u>9,898,837.59</u>

Of these amounts, \$1,717,523.76 is restricted for various educational and related student activities. The School Board does not have any cash and cash equivalents exposed to custodial credit risk.

NOTE 3 - INVESTMENTS

The School Board has investments in a local government investment pool that is administered by a non-profit corporation, LAMP, Inc. This corporation was organized under the laws of the State of Louisiana, and its purpose is to provide a safe environment for the placement of public funds in short-term, high-quality investments. Investments included in its portfolio, that is restricted to those issued, guaranteed or backed by the U.S. Treasury, the U.S. Government or one of its assigns, include only those with maturities of ninety days or less. This design allows participants immediate access to their funds. The investments in LAMP are stated at fair value based on quoted market rates determined on a week basis. The balance of this account at June 30, 2008, was \$216,589.69.

NOTE 4 - RECEIVABLES

The net receivables as of June 30, 2008, with the exception of inter-fund receivables, is as follows:

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Taxes	\$ 342,254.26	\$.00	\$ 342,254.26
Intergovernmental:			
State	136,388.29	678,581.59	814,969.88
Federal	<u>.00</u>	<u>1,987,726.59</u>	<u>1,987,726.59</u>
Total	<u>478,642.55</u>	<u>2,666,308.18</u>	<u>3,144,950.73</u>

The School Board expects to collect these balances in full; therefore, no allowance for doubtful accounts has been established.

CITY OF BAKER SCHOOL BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2008, is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities				
Capital Assets, not being depreciated				
Land	\$ 149,536.00	\$.00	\$.00	\$ 149,536.00
Capital Assets, being depreciated				
Buildings and Improvements	6,501,317.00	.00	.00	6,501,317.00
Less: accumulated depreciation	<u>5,099,098.00</u>	<u>129,127.00</u>	<u>.00</u>	<u>5,228,225.00</u>
Net Buildings	1,402,219.00	(129,127.00)	.00	1,273,092.00
Infrastructure	729,758.00	.00	.00	729,758.00
Less: accumulated depreciation	<u>729,758.00</u>	<u>.00</u>	<u>.00</u>	<u>729,758.00</u>
Net Infrastructure	.00	.00	.00	.00
Furniture and Equipment	2,188,965.61	150,546.21	.00	2,339,511.82
Less: accumulated depreciation	<u>1,716,103.00</u>	<u>328,513.06</u>	<u>.00</u>	<u>2,044,616.06</u>
Net Furniture and Equipment	<u>472,862.61</u>	<u>(177,966.85)</u>	<u>.00</u>	<u>294,895.76</u>
Capital Assets, being depreciated, net	<u>1,875,081.61</u>	<u>(307,093.85)</u>	<u>.00</u>	<u>1,567,987.76</u>
Capital Assets, net	<u>2,024,617.61</u>	<u>(307,093.85)</u>	<u>.00</u>	<u>1,717,523.76</u>

NOTE 6 – RETIREMENT SYSTEM

Substantially all employees of the School Board are members of the following statewide retirement systems: Teachers' Retirement System of Louisiana, Louisiana State Employees' Retirement System or Louisiana School Employees' Retirement System. These systems are cost sharing, multiple-employer defined benefit pension plans administered by separate boards of trustees. Pertinent information relative to each plan follows:

A. Teachers' Retirement System of Louisiana (TRS)

Plan Description. The System is composed of three distinct plans, Regular Plan, Plan A and Plan B, with separate assets and benefit provisions.

CITY OF BAKER SCHOOL BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

The TRS provides retirement benefits as well as disability and survivor benefits. Ten years of service credit is required to become vested for retirement benefits and five years to become vested for disability and survivor benefits. Benefits are established and amended by state statute.

The TRS issues an annual publicly available financial report that includes financial statements and required supplementary information for the TRS. That report may be obtained by writing to the Teachers' Retirement System of Louisiana, P. O. Box 94123, Baton Rouge, Louisiana 70804-9123, or by calling (225) 925-6446.

Funding Policy. Members are required by state statute to contribute 8%, 9.1% and 5% of their annual covered salary for the regular plan, plan A and plan B, respectively. The School Board is required to contribute at an actuarially determined rate. The current rate is 15.9% of annual covered payroll for all three plans. The contribution requirements of plan members and the School Board were established and may be amended by state statute. Rates are established by the Public Retirement Systems' Actuarial Committee. The School Board's contributions, as provided by state law, are funded by the State of Louisiana through annual appropriations, be deductions from local ad valorem taxes and by remittances from the School Board. The School Board's contributions to the TRS for the years ended June 30, 2008, 2007 and 2006, were \$1,473,964, \$1,403,775 and \$1,334,341, respectively, equal to the required contributions for each year.

B. Louisiana State Employees' Retirement System of Louisiana (LASERS)

Plan Description. This plan provides retirement benefits as well as disability and survivor benefits. Ten years of service credit is required to become vested for retirement benefits and five years to become vested for disability and survivor benefits. Benefits are established and amended by state statute.

The LASERS issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Louisiana School Employees' Retirement System, P. O. Box 44513, Baton Rouge, Louisiana 70804-4213 or by calling (225) 922-0600.

Funding Policy. Plan members are required by state statute to contribute 7.5% of their annual covered salary, and the School Board is required to contribute at an actuarially determined rate. The current rate is 19.1% of annual covered payroll. The contribution requirements of plan members and the School Board are established and may be amended by state statute. Rates are established by the Public Retirement Systems' Actuarial Committee. The School Board's contributions are funded by the State of Louisiana through annual appropriations. Its contributions to the LASERS for the years ended June 30, 2008, 2007 and 2006, were \$15,628.41, \$14,893 and \$14,886, respectively, equal to the statutorily required contribution for each year.

CITY OF BAKER SCHOOL BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

C. Louisiana School Employees' Retirement System (LSERS)

Plan Description. The LSERS provides retirement benefits as well as disability and survivor benefits. Ten years of service credit is required to become vested for retirement benefits and five years to become vested for disability and survivor benefits. Benefits are established and amended by state statute.

The LSERS issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Louisiana School Employees' Retirement System, Post Office Box 44516, Baton Rouge, Louisiana 70804, or by calling (225) 925-6484.

Funding Policy. Members are required to contribute 7.5% of their annual covered salary. The School Board is required to contribute at an actuarially determined rate. The current rate is 18.4% of annual covered payroll. The contribution requirements of plan members and the School Board were established and may be amended by state statute. Rates are established by the Public Retirement Systems' Actuarial Committee. The School Board's contributions, as provided by state law, are funded by the State of Louisiana through annual appropriations, be deductions from local ad valorem taxes and by remittances from the School Board. The School Board's contributions to the LSERS for the years ended June 30, 2008, 2007 and 2006, were \$171,662.82, \$107,779 and \$96,644, respectively, equal to the required contributions for each year.

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS

In accordance with state statute, the School Board provides certain health and life insurance benefits to its retired employees. Substantially all of the School Board's employees become eligible for such benefits upon reaching normal retirement age while working for the School Board. These benefits for retirees and similar benefits for active employees are provided through a state-operated group insurance program and various insurance companies whose monthly premiums are paid jointly by the employee and the School Board. The School Board recognizes the cost of providing these benefits to retirees as an expenditure when paid. For the year ended June 30, 2008, the cost to the School Board was \$29,558.47.

For implementation of Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions*, the School Board is considered a Phase 2 government. Adoption and implementation of GASB Statement No. 45 is required by Phase 2 governments in periods beginning after December 15, 2007. The School Board has elected to not implement this statement early.

CITY OF BAKER SCHOOL BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 8 - ACCOUNTS AND OTHER PAYABLES

There were no accounts or other payables due at June 30, 2008. With the exception of inter-fund payables, the School Board had liabilities of \$61,284.54 including revenues collected in advance.

NOTE 9 - COMPENSATED ABSENCES

Computed in accordance with GASB Codification Section C60, employees of the School Board had accumulated and vested \$456,051.71 of employee leave benefits at June 30, 2008. Governmental activities recorded these benefits in the statement of net assets

NOTE 10 - LONG-TERM DEBT

The following is a summary of long-term debt incurred as of June 30, 2008:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Claims/judgments	\$ 250,000.00	\$.00	\$.00	\$ 250,000.00	\$.00
Compensated					
Absences, net	390,469.00	65,582.71	.00	456,051.71	.00
Notes	<u>295,725.30</u>	<u>.00</u>	<u>295,725.30</u>	<u>.00</u>	<u>.00</u>
Total	<u>936,194.30</u>	<u>65,582.71</u>	<u>295,725.30</u>	<u>706,051.71</u>	<u>.00</u>

Notes Payable. The School Board borrowed \$400,000 for use as start-up funds prior to the opening of the schools under its jurisdiction. Payments of \$36,965.70 were made annually on this non-interest bearing note with a maturity in the year 2015. The School Board paid off this debt early during the year.

NOTE 11 - RESTRICTED NET ASSETS

The following is a summary of restricted net assets at June 30, 2008:

Restricted for:

Inventories	\$ 24,010.25
School-based activities (grants and other awards)	<u>800,833.70</u>
Total Restricted for:	<u>824,843.95</u>

CITY OF BAKER SCHOOL BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 12 – INTER-FUND TRANSACTIONS

Amounts due to/from other funds within the School Board at June 30, 2008, are as follows:

	<u>Receivables</u>	<u>Payables</u>
General Fund	\$ 2,436,332.91	\$.00
Special Revenue Funds:		
Title I School Improvement Fund	.00	1,063,170.82
Vocation education programs	.00	26,370.11
Special education programs	.00	573,008.54
Pre-K programs	.00	13,217.10
Student assistance programs	.00	603,474.25
Teacher assistance programs	.00	19,068.78
Title II-X funds	.00	138,023.31
	<u>2,436,332.91</u>	<u>2,436,332.91</u>
Total		

These inter-fund transactions were made in order to fund various educational and support programs until reimbursement could be requested and received by the grantor, both federal, state and local sources.

NOTE 13 - LEASES

Operating. The School Board leases include office equipment, busses and office space under lease agreements that are subject to annual re-appropriation clauses. Generally, as an equipment lease expires, it is replaced with another one with similar terms.

Operating leases for the year ended June 30, 2008, totaled \$10,700.

Capital. There were no capital leases in place or executed during the year.

NOTE 14 - LEVIED TAXES

The following is a summary of authorized and levied ad valorem taxes:

	<u>Authorized Millage</u>	<u>Levied Millage</u>	<u>Expiration</u>
City-wide Taxes:			
Constitutional tax	5.00	5.00	N/A
Special school maintenance tax	38.20	38.20	2009

**CITY OF BAKER SCHOOL BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008**

An allowance for uncollectible taxes has not been established as they are secured by property. As a result, the estimated amount that will not be collected is insignificant.

NOTE 15 - FUNDS HELD IN ESCROW

As a result of a legal suit filed by the East Baton Rouge Parish School System, the East Baton Rouge Sheriff's Office was directed by a judicial order dated June 2, 2004, to withhold all 2003 property taxes collected until further order of the Court. To comply with this court order, the Sheriff placed \$31,569 in an escrow account maintained by his office. This amount is not reported in the accompanying financial statements.

NOTE 16 - RELATED PARTY TRANSACTIONS

There were no related party transactions involving vendors of the School Board that would require disclosure in the accompanying financial statements.

NOTE 17 - LITIGATION

There are approximately two pending lawsuits against the School Board with maximum exposure estimated at not more than \$25,000 each. The resolution of these suits cannot be determined at this time.

NOTE 18 - SUBSEQUENT EVENTS

There were no subsequent events between the close of the year and the issuance of this report that would have a significant impact on the accompanying financial statements.

REQUIRED SUPPLEMENTAL INFORMATION
(PART 2 OF 2)

**CITY OF BAKER SCHOOL BOARD
BUDGETARY COMPARISON SCHEDULE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Local Sources				
Property taxes	\$ 1,200,000.00	\$ 1,265,000.00	\$ 1,437,506.48	\$ 172,506.48
Sales taxes	2,500,000.00	4,040,000.00	5,191,471.22	1,151,471.22
Grants and contributions	130,293.00	44,500.00	95,128.90	50,628.90
State Sources				
Minimum Foundation Program	11,991,850.00	11,991,850.00	12,006,139.95	14,289.95
Other state grants/awards	1,690,741.10	1,923,113.87	609,539.17	(1,313,574.70)
Federal Sources	3,641,933.00	3,692,544.86	3,549,616.43	(142,928.43)
Charges for services	85,000.00	85,000.00	84,400.34	(599.66)
Interest earned	80,000.00	206,000.00	175,403.06	(30,596.94)
Miscellaneous revenues	-	-	39,189.98	39,189.98
Total Revenues	21,319,817.10	23,248,008.73	23,188,395.53	(59,613.20)
<u>EXPENDITURES</u>				
Instructional Services				
Regular programs	10,240,350.12	7,985,070.00	7,695,957.01	289,112.99
Special education programs	1,998,337.00	1,826,191.00	1,560,631.38	265,559.62
Other instructional programs	1,492,621.98	4,163,731.64	1,915,529.40	2,248,202.24
Support Services				
Student activities	1,135,856.00	1,352,290.09	887,850.25	464,439.84
Instructional staff support	769,343.00	801,459.00	806,611.47	(5,152.47)
Administrative support	1,567,706.00	2,086,689.00	2,352,260.99	(265,571.99)
Business services	347,115.00	347,115.00	266,822.32	80,292.68
Plant services	1,671,038.00	1,986,053.00	1,623,854.61	362,198.39
Student transportation	745,835.00	745,835.00	780,725.27	(34,890.27)
Central services	197,110.00	444,383.00	313,029.68	131,353.32
Food services	1,045,369.00	1,060,234.00	1,077,189.23	(16,955.23)
Capital outlay	10,000.00	285,424.00	150,546.21	134,877.79
Debt Services				
Principal	-	-	295,725.30	(295,725.30)
Total Expenditures	21,220,681.10	23,084,474.73	19,726,733.12	3,357,741.61
Excess of Revenues over Expenditures	99,136.00	163,534.00	3,461,662.41	3,298,128.41
Fund Balances, beginning	9,761,441.31	9,761,441.31	9,761,441.31	-
Fund Balances, ending	9,860,577.31	9,924,975.31	13,223,103.72	3,298,128.41

See Auditors' Report.

COMBINING FUND STATEMENTS

**CITY OF BAKER SCHOOL BOARD
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
JUNE 30, 2008**

	<u>Vocational Education</u>		<u>Special Education</u>		<u>Pre-K Programs</u>		<u>Student Assistance Programs</u>		<u>Teacher Assistance Programs</u>		<u>Title II-X Funds</u>		<u>Other Grants & Awards</u>		<u>Total</u>
<u>ASSETS</u>															
Receivables, net	\$ 26,952.71	\$ 573,101.57	\$ 92,186.40	\$ 567,326.41	\$ 19,068.78	\$ 138,023.53	\$							\$ 1,416,659.40	
Restricted assets:															
Cash and cash equivalents	-	-	-	67,665.24	-	-							3,878.16		71,543.40
TOTAL ASSETS	26,952.71	573,101.57	92,186.40	634,991.65	19,068.78	138,023.53							3,878.16		1,488,202.80
<u>LIABILITIES AND FUND BALANCES</u>															
Liabilities:															
Due to other funds	26,370.11	573,008.54	13,217.10	603,474.25	19,068.78	138,023.31							-		1,373,162.09
Deferred revenues	-	-	-	61,284.54	-	-							-		61,284.54
Total Liabilities	26,370.11	573,008.54	13,217.10	664,758.79	19,068.78	138,023.31							-		1,434,446.63
Fund Balances(Deficit):															
Reserved for:															
School-based activities	582.60	93.03	78,969.30	(29,767.14)	-	0.22							3,878.16		53,756.17
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	26,952.71	573,101.57	92,186.40	634,991.65	19,068.78	138,023.53							3,878.16		1,488,202.80

See Auditors' Report

CITY OF BAKER SCHOOL BOARD
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008

	Vocational Education	Special Education	Pre-K Programs	Student Assistance Programs	Teacher Assistance Programs	Title II-X Funds	Other Grants & Awards	Total	
REVENUES									
Local Sources									
Grants and contributions	\$ -	\$ -	\$ -	\$ 90,628.90	\$ -	\$ -	\$ 2,000.00	\$	92,628.90
State sources:									
Other state grants/awards	-	-	42,353.57	395,238.39	31,780.43	-	-	-	469,372.39
Federal sources	40,076.47	573,102.07	184,635.39	387,562.46	-	136,957.77	-	-	1,322,334.16
Total Revenues	40,076.47	573,102.07	226,988.96	873,429.75	31,780.43	136,957.77	2,000.00		1,884,335.45
EXPENDITURES									
Instructional services									
Regular programs	-	-	42,353.57	819,650.50	17,667.43	-	-	-	879,671.50
Special education programs	-	444,404.33	229,785.45	79,118.51	-	895.78	-	-	754,204.07
Other instructional programs	38,290.67	-	-	-	-	29,398.20	-	-	67,688.87
Support Services									
Student activities	1,785.80	-	-	-	-	-	-	-	1,785.80
Instructional staff support	-	114,177.16	8,344.86	-	14,113.00	106,663.57	-	-	243,298.59
Student transportation	-	18,352.73	-	6,895.78	-	-	-	-	25,248.51
Total Expenditures	40,076.47	576,934.22	280,483.88	905,664.79	31,780.43	136,957.55	-		1,971,897.34
Excess (Deficiency) of Revenues over Expenditures	-	(3,832.15)	(53,494.92)	(32,235.04)	-	0.22	2,000.00		(87,561.89)
Fund Balances, beginning	582.60	3,925.18	132,464.22	2,467.90	-	-	1,878.16		141,318.06
Fund Balances (Deficit), ending	582.60	93.03	78,969.30	(29,767.14)	-	0.22	3,878.16		53,756.17

SUPPLEMENTARY SCHEDULES AND INFORMATION

CITY OF BAKER SCHOOL BOARD
SCHEDULE OF COMPENSATION PAID TO BOARD MEMBERS
YEAR ENDED JUNE 30, 2008

This schedule of compensation paid to board members is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature.

In accordance with La. Revised Statute 17:56, the board members have elected the monthly method of compensation allowing for a monthly salary of \$500 with the president receiving \$600.

<u>Name</u>	<u>Salary</u>	<u>Travel</u>	<u>Total</u>
Doris T. Alexander	\$ 6,000.00	\$ 2,568.86	\$ 8,568.86
Dana Carpenter	6,500.00	1,267.21	7,767.21
Jane Freudenberger	6,700.00	1,261.00	7,961.00
George Gallman	6,000.00	2,231.14	8,231.14
Pam Malveaux	6,000.00	1,937.68	7,937.68
Total	<u>31,200.00</u>	<u>9,265.89</u>	<u>40,465.89</u>

See Auditors' Report

MARY SUE STAGES, CPA
A PROFESSIONAL ACCOUNTING CORPORATION

.....

3121 Van Buren Street, Suite A
P. O. Box 30
Baker, Louisiana 70704-0030
Phone (225) 775-4982 * Fax (225) 775-4912
mstages@butlercpa.brcoxmail.com

Louisiana Society of Certified Public Accountants
American Institute of Certified Public Accountants
Association of Governmental Accountants
Governmental Audit Quality Control Center

**REPORT ON COMPLIANCE AND OTHER MATTERS AND
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Dr. Estes Taplin, Superintendent
and the Members of the Baker School Board
City of Baker School Board
P. O. Box 680
Baker, Louisiana 70704-0680

We have audited the financial statements of the governmental activities, each major fund and the remaining fund information of the City of Baker School Board, which collectively comprise the basic financial statements as listed in the table of contents, as of and for the year ended June 30, 2008, and have issued our report thereon dated December 19, 2008. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Baker School Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* that is described as finding 2008-1 in the schedule of findings and questioned costs.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City of Baker School Board's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Baker School Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Baker School Board's internal control over financial reporting.

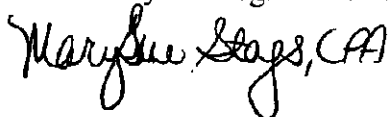
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be control deficiencies. Additionally, we noted other matters involving internal control over financial reporting that we have reported to management in a separate letter dated December 19, 2008.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the governmental agency's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement on the agency's financial statements that is more than inconsequential will not be prevented or detected by the agency's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs as finding 2008-2 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the governmental agency's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency described as finding 2008-2 to be a material weakness.

This report is intended solely for the information and use of management, the City of Baker School Board, the Legislative Auditor and others within the entity and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



Mary Sue Stages, CPA,
A Professional Accounting Corporation
December 19, 2008

MARY SUE STAGES, CPA
A PROFESSIONAL ACCOUNTING CORPORATION

.....
3121 Van Buren Street, Suite A
P. O. Box 30
Baker, Louisiana 70704-0030
Phone (225) 775-4982 * Fax (225) 775-4912
mstages@butlercpa.brcoxmail.com

Louisiana Society of Certified Public Accountants
American Institute of Certified Public Accountants
Association of Governmental Accountants
Governmental Audit Quality Control Center

REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133

Dr. Estes Taplin, Superintendent
and the Members of the Baker School Board
City of Baker School Board
P. O. Box 680
Baker, Louisiana 70704-0680

Compliance

We have audited the compliance of the City of Baker School Board with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major programs for the year ended June 30, 2008. The City of Baker School Board's major federal programs are identified in the accompanying schedule of expenditures of federal awards. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Baker School Board's management. Our responsibility is to express an opinion on the City of Baker School Board's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and *OMB Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Baker School Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Baker School Board's compliance with those requirements.

As described in finding 2008-1 in the accompanying schedule of findings and questioned costs, the City of Baker School Board did not comply with requirements regarding nepotism that are applicable to its TANF programs. Compliance with such requirements is necessary, in our opinion, for the City of Baker School Board to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the City of Baker School Board complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the City of Baker School Board is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Baker School Board's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Baker School Board's internal control over compliance.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the governmental agency's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the agency's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, which results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the agency's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the City of Baker School Board, the Legislative Auditor and others within the entity and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



Mary Sue Stages, CPA

A Professional Accounting Corporation

December 19, 2008

CITY OF BAKER SCHOOL BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2008

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
<i>Major and Non-Major Programs</i>			
<i>United States Department of Education</i>			
Passed through the Louisiana Department of Education:			
Title I Grants to Local Educational Agencies	84.010A	28-05-T1-68	\$ 1,227,819.86
Reading First	84.357A	Various	387,562.46
Special Education - Grants to States	84.027A	H027A060033	44,888.13
LA 4 Starting Points Prekindergarten Programs	93.558	280735	184,635.39
Title II Teacher and Principal Training & Recruiting Fund	84.367A	A367A060017	136,061.77
Vocational Education - Basic Grants to States	84.048	Various	40,076.47
Special Education - Preschool Grants	84.173A	AH173A070082	573,102.07
Title V Innovative Education Program Strategies	84.298A	S298A60018	896.00
Total U.S. Department of Education			<u>2,595,042.15</u>
<i>United States Department of Agriculture</i>			
Passed through the Louisiana Department of Education:			
Child Nutrition Cluster - Natl. School Lunch Program	10.555	N/A	<u>954,574.28</u>
Total Federal Awards Expended			<u><u>3,549,616.43</u></u>

See Auditors' Report

**CITY OF BAKER SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2008**

We have audited the financial statements of the governmental activities, each major fund and the remaining fund information of the City of Baker School Board, which collectively comprise the basic financial statements as listed in the table of contents, as of and for the year ended June 30, 2008, and have issued our report thereon dated December 19, 2008. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit of the financial statements as of June 30, 2008, resulted in an unqualified opinion.

Section I Summary of Auditor's Reports

1. Report on Compliance and Internal Control Material to the Financial Statements

Compliance	Material Weakness	■ No
	Control Deficiency(ies)	■ Yes
Internal Control	Material Weakness	■ Yes
	Control Deficiency(ies)	■ Yes

2. Federal Awards

Compliance	Material Weakness	■ No
	Control Deficiency(ies)	■ Yes
Internal Control	Material Weakness	■ No
	Control Deficiency(ies)	■ No

Section II Financial Statement Findings

2008-1 Compliance with Laws Applicable to Nepotism

Criteria: La. Revised Statute 42:1119 states that, "No member of the immediate family of an agency head shall be employed in his agency."

Condition/Effect: The Federal Programs Coordinator was allowed to supervise her two sons. Procedures for providing that all personnel are aware of and understand the prohibition of this supervisory capacity is not evidenced or followed.

Recommendation: We recommend that all employees and school board members be required to make an annual declaration of compliance with the Board's code of conduct including policies on conflicts of interest and related parties evidenced by a signed declaration maintained in the employee's personnel file. We further recommend that a list be compiled immediately of all related parties working within the system to determine that there are currently no violations of laws applicable to nepotism.

CITY OF BAKER SCHOOL BOARD

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2008**

Response: "We recognize the importance of compliance with laws specifically those applicable to our major programs and will comply with this recommendation."

2008-2 Fixed Assets

Criteria: La. Revised Statute 24:515 states that the School Board "...shall maintain records of all land, buildings, improvements other than buildings, equipment and any other general fixed assets which were purchased or otherwise acquired, and for which such entity is accountable."

Condition/Effect: The subsidiary ledger for fixed assets does not reconcile to the general ledger. Additionally, there is no evidence that physical inventory counts are performed periodically so as to ensure that applicable policies and procedures are followed and that the fixed assets are intact.

Recommendation: The subsidiary ledger should be reconciled to the general ledger with notations as to the differences, i.e. item purchased less than amount to be capitalized but tracking desired. We further recommend that these two ledgers be reconciled on a periodic basis not less than quarterly. We also recommend that periodic checks be performed and a written report prepared for review by the business manager and superintendent.

Response: "We recognize the reasons for the differences and the need to perform periodic checks and will comply with this recommendation. We will revisit current policies related to fixed asset control and put teeth in enforcement of those policies. We will also provide for severe consequences for those parties that fail to comply."

2008-3 Misappropriation of Funds

Criteria: It is the responsibility of management to safeguard all assets of the School Board.

Condition/Effect: The Federal Programs Coordinator was reimbursed travel expenses in the amount of \$1,643.60 for a trip that was personal in nature.

Recommendation: Expense reimbursements to employees should include original invoices and sufficient detail to determine whether the expenditure was business-related. Management should also ensure that all employees feel comfortable in reporting suspicious activity.

Response: "Management has provided an avenue for employees to report suspicious activity and have reiterated the importance of doing so. Expense reimbursements to employees will be scrutinized thoroughly prior to approval."

Section III Federal Award Findings and Questioned Costs

Please refer to finding 2008-1 described in Section II above.

**CITY OF BAKER SCHOOL BOARD
SCHEDULE OF PRIOR YEAR FINDINGS
YEAR ENDED JUNE 30, 2008**

Section I Internal Control and Compliance Material to the Financial Statements

2007-1 Fixed Assets

Condition: In August 2005, the School Board adopted fixed assets procedures. Such procedures were established to ensure adequate accountability for fixed assets. However, as of the date of this report, these procedures have not been implemented by the Property Control Manager and employees with custody of fixed assets. This was first reported as 2006-01.

Recommendation: To adhere to its written policies and procedures...

Disposition: Unresolved

2007-3 Student Activity Accounts

Condition: For the third consecutive year, the School System did not monitor or provide adequate oversight over the Student Activity Accounts of the five schools.

Recommendation: To revise its Student Activity Funds Procedural Manual to include recommendations of the Legislative Auditor. This was first reported as 2006-04.

Disposition: Resolved

2006-02 Human Resources and Payroll Functions

Condition: Incomplete payroll records

Recommendation: To develop written internal control procedures...

Disposition: Partially Resolved

2006-4 Special Revenue Fund Billings

Condition: For the third consecutive year, requests for reimbursements of state and federal grant funds are not being made on a timely basis

Recommendation: To implement procedures that requires timely submission

Disposition: Partially Resolved

**CITY OF BAKER SCHOOL BOARD
SCHEDULE OF PRIOR YEAR FINDINGS
YEAR ENDED JUNE 30, 2008**

Section II Internal Control and Compliance Material to Federal Awards

2006-5 Employee Certification and Payroll Activity Reports

Condition: The School System did not ensure that employee certifications and payroll activity reports or equivalent documentation are performed and maintained for all applicable employees

Recommendation: To ensure compliance with the provisions of OMB Circular A-87

Disposition: Partially Resolved

Section III Management Letter

N/A

**CITY OF BAKER SCHOOL BOARD
MANAGEMENT'S CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2008**

Section I Internal Control and Compliance Material to the Financial Statements

Please refer to Response as summarized in the Schedule of Findings and Questioned Costs

Section II Internal Control and Compliance Material to Federal Awards

N/A

Section III Management Letter

Please refer to Management's Response as summarized in the management letter itself.

Section IV Other Matters

Agreed-Upon Procedure No. 9 – Class Size Characteristics

Exception: The School Board's software was not able to provide detailed classroom size in order to facilitate this agreed-upon procedure

Management's Response: This responsibility has been placed under the responsibility of a specific individual. The software will be able to provide this information for future audits.

**SCHEDULES REQUIRED BY STATE LAW
(LA R.S. 24:514 PERFORMANCE AND STATISTICAL DATA)**

MARY SUE STAGES, CPA
A PROFESSIONAL ACCOUNTING CORPORATION

.....
3121 Van Buren Street, Suite A
P. O. Box 30
Baker, Louisiana 70704-0030
Phone (225) 775-4982 * Fax (225) 775-4912
mstages@butlercpa.brcoxmail.com

Louisiana Society of Certified Public Accountants
American Institute of Certified Public Accountants
Association of Governmental Accountants
Governmental Audit Quality Control Center

**INDEPENDENT AUDITORS' REPORT ON APPLYING
AGREED-UPON PROCEDURES**

Dr. Estes Taplin, Superintendent
and the Members of the Baker School Board
City of Baker School Board
P. O. Box 680
Baker, Louisiana 70704-0680

We have performed the procedures included in the *Louisiana Governmental Audit Guide* and enumerated below, which were agreed upon by management of the City of Baker School Board and the Legislative Auditor, State of Louisiana, solely to assist users in evaluating management's assertions about the performance and statistical data accompanying the annual financial statements of the School Board and to determine whether the specified schedules are free of obvious errors and omissions as provided by the Board of Elementary and Secondary Education (BESE) Bulletin. The agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representations regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings relate to the accompanying schedule of supplementary information and are as follows:

General Fund Instructional and Support Expenditures and Certain Local Revenue Sources

1. Select a random sample of transactions and review supporting documentation to determine if they are classified properly and reported in the proper amounts for each of the following:
 - a. total general fund instructional expenditures
 - b. total general fund equipment expenditures
 - c. total local taxation revenue

- d. total local earnings on investment in real property
- e. total state revenue in lieu of taxes
- f. non-public textbook revenue
- g. non-public transportation revenue

Comments. No exceptions were noted

Education Levels of Public School Staff

- 2. Reconcile the total number of full-time classroom teachers per the schedule, Experience of Public Principals and Full-time Classroom Teachers, to the combined total number of full-time classroom teachers per this schedule and to the School Board's supporting payroll records as of October 1, 2007.

Comments. No exceptions were noted.

- 3. Reconcile the combined total of principals and assistant principals per the schedule, Experience of Public Principals and Full-time Classroom Teachers, to the combined total of principals and assistant principals per this schedule.

Comments. No exceptions were noted.

- 4. Obtain a list of full-time teachers, principals and assistant principals by classifications as of October 1, 2007, and as reported on the schedule; Trace a random sample of teachers to the individual's personnel file to determine if the individual's education level is properly classified.

Comments. No exceptions were noted.

Number and Type of Public Schools

- 5. Obtain a list of schools by type as reported on this schedule and compare it to the list of schools and grade levels as reported on the Title I Grants to Local Educational Agencies (CFDA 84.010) application and/or the National School Lunch Program (CFDA 10.555) application.

Comments. No exceptions were noted.

Experience of Public Principals and Full-time Classroom Teachers

- 6. Obtain a list of full-time teachers, principals and assistant principals by classification as of October 1, 2007, and as reported on this schedule; Trace the same sample used in agreed-upon procedure no. 4 to the individual's personnel file to determine if the individual's experience is properly classified.

Comments. No exceptions were noted.

Public Staff Data

7. Obtain a list of all classroom teachers including their base salary, extra compensation and ROTC or rehired status as well as full-time equivalents as reported on this schedule and trace a random sample to the individual's personnel file to determine if the individual's salary, extra compensation and full-time equivalents is properly included on this schedule

Comments. No exceptions were noted.

8. Recalculate the average salaries and full-time equivalents reported in this schedule

Comments. No exceptions were noted.

Class Size Characteristics

9. Obtain a list of classes by school – school type and classroom size – as reported on this schedule; Reconcile it to the data contained in the schedule, Number and Type of Public Schools; Trace a random sample of classes to the October 1, 2007, roll books for those classes to determine if the class is properly classified on the schedule.

Comments. The School Board's software was not able to provide detailed classroom size in order to facilitate this agreed-upon procedure

Louisiana Educational Assessment Program (LEAP) for the 21st Century

10. Obtain test scores as provided by the testing authorize; Reconcile these to the scores reported by the School Board.

Comments. No exceptions were noted.

The Graduation Exit Exam for the 21st Century

11. Obtain test scores as provided by the testing authorize; Reconcile these to the scores reported by the School Board.

Comments. No exceptions were noted.

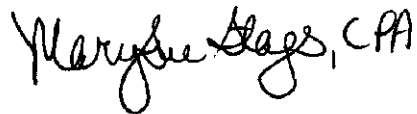
The IOWA Tests

12. Obtain test scores as provided by the testing authorize; Reconcile these to the scores reported by the School Board.

Comments. The School Board does not utilize the IOWA tests.

We were not engaged to, and we did not, perform an examination on these schedules, the objective of which would be the expression of an opinion on management's assertions. According, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of management, the City of Baker School Board, the Legislative Auditor and others within the entity and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

A handwritten signature in black ink that reads "Mary Sue Stages, CPA". The signature is written in a cursive, flowing style.

Mary Sue Stages, CPA
A Professional Accounting Corporation
December 19, 2008

**CITY OF BAKER SCHOOL BOARD
GENERAL FUND INSTRUCTIONAL AND SUPPORT EXPENDITURES
AND CERTAIN LOCAL REVENUE SOURCES
YEAR ENDED JUNE 30, 2008**

General Fund Instructional and Equipment Expenditures

Teacher and Student Interaction Activities:

Classroom teacher salaries	\$ 5,569,470.23
Other instructional staff activities	392,766.87
Employee benefits	1,606,896.76
Purchased professional and technical services	55,491.39
Instructional materials and supplies	327,829.05
Instructional equipment	7,159.26
Total Teacher and Student Interaction Activities	<u>7,959,613.56</u>

Other Instructional Activities	303,220.78
--------------------------------	------------

Pupil Support Activities, net	886,492.84
-------------------------------	------------

Instructional Staff Services, net	481,077.08
-----------------------------------	------------

School Administration, net	<u>1,139,911.28</u>
----------------------------	---------------------

Total General Fund Instructional Expenditures	<u><u>10,770,315.54</u></u>
---	-----------------------------

Total General Fund Equipment Expenditures	<u><u>\$ 7,159.26</u></u>
---	---------------------------

Certain Local Revenue Sources

Local Taxation Revenue:

Constitutional ad valorem taxes	\$ 168,176.19
Renewable ad valorem taxes	1,231,334.12
Taxes other than school taxes	37,996.17
Sales and use taxes	5,191,471.22
Total Local Taxation Revenue	<u>6,628,977.70</u>

State Revenue in Lieu of Taxes	<u>45,613.78</u>
--------------------------------	------------------

Total Certain Local Revenue Sources	<u><u>6,674,591.48</u></u>
-------------------------------------	----------------------------

See Auditors' Report

CITY OF BAKER SCHOOL BOARD
EDUCATION LEVELS OF PUBLIC SCHOOL STAFF
JUNE 30, 2008

<u>Category</u>	<u>Full-time Classroom Teachers</u>				<u>Principals and Assistant Principals</u>			
	<u>Certificated</u>		<u>Uncertificated</u>		<u>Certificated</u>		<u>Uncertificated</u>	
	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>%</u>
Less than Bachelors Degree	2	1.30%	0	0.00%	0	0.00%	0	0.00%
Bachelors Degree	78	51.20%	0	0.00%	0	0.00%	0	0.00%
Masters Degree	44	28.42%	0	0.00%	6	60.00%	0	0.00%
Masters Degree + 30	29	19.08%	0	0.00%	3	30.00%	0	0.00%
Specialist in Education	0	0.00%	0	0.00%	0	0.00%	0	0.00%
PhD or EdD	0	0.00%	0	0.00%	1	10.00%	0	0.00%
Totals	153	100.00%	0	0.00%	10	100.00%	0	0.00%

See Auditors' Report

**CITY OF BAKER SCHOOL BOARD
NUMBER AND TYPE OF PUBLIC SCHOOLS
YEAR ENDED JUNE 30, 2008**

<u>Type</u>	<u>No.</u>
Elementary	3
Middle/Junior High	1
Secondary	<u>1</u>
Totals	<u><u>5</u></u>

There were no schools opened or closed during the current year.

CITY OF BAKER SCHOOL BOARD
EXPERIENCE OF PUBLIC PRINCIPALS, ASSISTANT PRINCIPALS
AND FULL-TIME CLASSROOM TEACHERS
JUNE 30, 2008

<u>No. of Years Experience</u>	<u>Principals</u>	<u>Assistant Principals</u>	<u>Classroom Teachers</u>	<u>Totals</u>
0-1 years	1	-	42	43
2-3 years	-	-	17	17
4-10 years	-	1	21	22
11-14 years	-	-	10	10
15-19 years	2	1	7	10
20-24 years	-	1	12	13
25+ years	3	1	44	48
	<hr/>			
Totals	6	4	153	163
	<hr/>			

See Auditors' Report

**CITY OF BAKER SCHOOL BOARD
PUBLIC SCHOOL STAFF DATA
YEAR ENDED JUNE 30, 2008**

	<u>All Classroom Teachers</u>	<u>Classroom Teachers Excluding ROTC & Rehired Retirees</u>
Average classroom teacher's salary including extra compensation	\$ 46,301.00	\$ 38,202.00
Average classroom teacher's salary excluding extra compensation	\$ 42,042.00	\$ 34,421.00
Number of teacher full-time equivalents (FTEs) used in computation of average salaries	153	131

Amounts reported include all sources of funding (federal, state and local) but excludes employee benefits. Generally, retired teachers rehired to teach receive less compensation than non-retired teachers and ROTC teachers receive more compensation because of their federal supplement. Therefore, these teachers are excluded from the computation in the last column. This schedule excludes day-to-day substitutes and temporary employees.

See Auditors' Report

CITY OF BAKER SCHOOL BOARD
CLASS SIZE CHARACTERISTICS
JUNE 30, 2008

<u>Classroom Type</u>	<u>Class Size Range</u>							
	<u>1-20</u>		<u>21-26</u>		<u>27-33</u>		<u>34+</u>	
	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>%</u>
Elementary	202	21.63%	164	43.00%	4	4.08%	8	88.89%
Elementary activity classes	366	39.19%	108	28.09%	47	47.96%	0	0.00%
Middle/Junior High	91	9.74%	55	14.90%	37	37.76%	0	0.00%
Middle/Junior High activity classes	24	2.57%	11	3.00%	0	0.00%	0	0.00%
Secondary	167	17.88%	42	11.01%	10	10.20%	1	11.11%
Secondary activity classes	84	8.99%	0	0.00%	0	0.00%	0	0.00%
Totals	934	100.00%	380	100.00%	98	100.00%	9	100.00%

The Board of Elementary and Secondary Education has set specific limits on the maximum size of classes at various grade levels. The maximum enrollment in grades K-3 is 26 students, and the maximum enrollment in grades 4-12 is 33 students. These limits do not apply to activity classes such as physical education, chorus, band and other such classes. As a result, these classes are included as separate line items above.

CITY OF BAKER SCHOOL BOARD
LOUISIANA EDUCATIONAL ASSESSMENT PROGRAM (LEAP)
FOR THE 21ST CENTURY
YEAR ENDED JUNE 30, 2008

District Achievement Level Results	<u>English Language Arts</u>						<u>Mathematics</u>					
	<u>2008</u>			<u>2007</u>			<u>2008</u>			<u>2007</u>		
	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>No.</u>	<u>%</u>	<u>%</u>
Grade 4												
Advanced	0	0.00%	0	0	0.00%	0	1	0.78%	0	0.00%	0	0.00%
Mastery	9	6.98%	3	11	5.24%	11	5	3.88%	3	2.22%	7	3.35%
Basic	42	32.56%	52	63	30.00%	63	33	25.58%	37	27.41%	61	29.19%
Approaching basic	43	33.33%	40	63	30.00%	63	27	20.93%	41	30.37%	56	26.79%
Unsatisfactory	35	27.13%	40	73	34.76%	73	63	48.84%	54	40.00%	85	40.67%
Totals	129	100.00%	135	210	100.00%	210	129	100.00%	135	100.00%	209	100.00%

District Achievement Level Results	<u>Science</u>						<u>Social Studies</u>					
	<u>2008</u>			<u>2007</u>			<u>2008</u>			<u>2007</u>		
	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>No.</u>	<u>%</u>	<u>%</u>
Grade 8												
Advanced	0	0.00%	1	2	1.18%	2	0	0.00%	0	0.00%	0	0.00%
Mastery	46	14.29%	7	4	2.38%	4	4	2.04%	7	3.83%	1	0.59%
Basic	49	15.22%	47	48	28.40%	48	43	21.94%	54	29.51%	63	37.28%
Approaching basic	66	20.50%	76	72	42.60%	72	51	26.02%	63	34.43%	55	32.54%
Unsatisfactory	161	50.00%	52	43	25.44%	43	98	50.00%	59	32.23%	50	29.59%
Totals	322	100.00%	183	169	100.00%	169	196	100.00%	183	100.00%	169	100.00%

See Auditors' Report

CITY OF BAKER SCHOOL BOARD
THE GRADUATION EXIT EXAM (GEE)
FOR THE 21ST CENTURY
YEAR ENDED JUNE 30, 2008

District Achievement Level Results	<u>English Language Arts</u>						<u>Mathematics</u>					
	<u>2008</u>		<u>2007</u>		<u>2006</u>		<u>2008</u>		<u>2007</u>		<u>2006</u>	
	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>%</u>
Grade 10												
Advanced	0	0.00%	0	0.00%	0	0.00%	1	0.98%	1	0.89%	1	0.80%
Mastery	0	0.00%	4	3.51%	9	7.14%	6	5.88%	3	2.68%	9	7.14%
Basic	42	42.42%	33	28.95%	57	45.24%	48	47.06%	35	31.25%	46	36.51%
Approaching basic	39	39.39%	44	38.60%	32	25.40%	18	17.65%	25	22.32%	23	18.25%
Unsatisfactory	18	18.18%	33	28.94%	28	22.22%	29	28.43%	48	42.86%	47	37.30%
Totals	99	100.00%	114	100.00%	126	100.00%	102	100.00%	112	100.00%	126	100.00%

District Achievement Level Results	<u>Science</u>						<u>Social Studies</u>					
	<u>2008</u>		<u>2007</u>		<u>2006</u>		<u>2008</u>		<u>2007</u>		<u>2006</u>	
	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>%</u>
Grade 11												
Advanced	0	0.00%	2	2.15%	0	0.00%	0	0.00%	0	0.00%	1	0.73%
Mastery	6	6.98%	9	9.68%	6	4.38%	3	3.49%	3	3.23%	2	1.46%
Basic	23	26.74%	33	35.48%	36	26.28%	33	38.37%	50	53.76%	62	45.26%
Approaching basic	34	39.53%	27	29.03%	56	40.88%	29	33.72%	17	18.28%	37	27.01%
Unsatisfactory	23	26.74%	22	23.66%	39	28.46%	21	24.42%	23	24.73%	35	25.54%
Totals	86	100.00%	93	100.00%	137	100.00%	86	100.00%	93	100.00%	137	100.00%

See Auditors' Report

**CITY OF BAKER SCHOOL BOARD
THE IOWA AND *i*LEAP TESTS
YEAR ENDED JUNE 30, 2008**

IOWA TESTS

The City of Baker School Board did not utilize the IOWA tests.

iLEAP TESTS

District Achievement Level Results	English		Mathematics		Science		Social Studies	
	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>%</u>
<i>Grade 3</i>								
Advanced	2	1.54%	5	3.85%	3	2.31%	3	2.31%
Mastery	20	15.38%	21	16.15%	8	6.15%	12	9.23%
Basic	60	46.15%	43	33.08%	44	33.85%	67	51.54%
Approaching basic	17	13.08%	25	19.23%	45	34.62%	26	20.00%
Unsatisfactory	31	23.85%	36	27.69%	30	23.08%	22	16.92%
Totals	130	100.00%	130	100.00%	130	100.00%	130	100.00%
<i>Grade 5</i>								
Advanced	0	0.00%	1	1.09%	0	0.00%	1	1.09%
Mastery	6	6.52%	1	1.09%	3	3.26%	2	2.17%
Basic	43	46.74%	35	38.04%	36	39.13%	41	44.57%
Approaching basic	24	26.09%	22	23.91%	34	36.96%	30	32.61%
Unsatisfactory	19	20.65%	33	35.87%	19	20.65%	18	19.57%
Totals	92	100.00%	92	100.00%	92	100.00%	92	100.00%
<i>Grade 6</i>								
Advanced	0	0.00%	1	0.61%	0	0.00%	1	0.61%
Mastery	10	6.10%	1	0.61%	6	3.66%	1	0.61%
Basic	60	36.59%	48	29.27%	46	28.05%	31	18.90%
Approaching basic	57	34.76%	38	23.17%	63	38.41%	61	37.20%
Unsatisfactory	37	22.56%	76	46.34%	49	29.88%	70	42.68%
Totals	164	100.00%	164	100.00%	164	100.00%	164	100.00%

Continued

CITY OF BAKER SCHOOL BOARD
THE IOWA AND iLEAP TESTS (Continued)
YEAR ENDED JUNE 30, 2008

iLEAP TESTS

District Achievement Level Results	English		Mathematics		Science		Social Studies	
	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>%</u>
<i>Grade 7</i>								
Advanced	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Mastery	9	6.43%	2	1.43%	3	2.14%	5	3.57%
Basic	50	35.71%	37	26.43%	42	30.00%	59	42.14%
Approaching basic	53	37.86%	35	25.00%	53	37.86%	40	28.57%
Unsatisfactory	28	20.00%	66	47.14%	42	30.00%	36	25.71%
Totals	140	100.00%	140	100.00%	140	100.00%	140	100.00%

<i>Grade 9</i>								
Advanced	0	0.00%	1	0.76%				
Mastery	8	6.06%	4	3.03%				
Basic	65	49.24%	61	46.21%				
Approaching basic	46	34.85%	28	21.21%				
Unsatisfactory	13	9.85%	38	28.79%				
Totals	132	100.00%	132	100.00%				

Note: The iLEAP test results for students in grade 9 in the subjects of science and social studies were not available.

MARY SUE STAGES, CPA
A PROFESSIONAL ACCOUNTING CORPORATION

.....
3121 Van Buren Street, Suite A
P. O. Box 30
Baker, Louisiana 70704-0030
Phone (225) 775-4982 * Fax (225) 775-4912
mstages@butlercpa.brcoxmail.com

Louisiana Society of Certified Public Accountants
American Institute of Certified Public Accountants
Association of Governmental Accountants
Governmental Audit Quality Control Center

Dr. Estes Taplin, Superintendent
and the Members of the Baker School Board
City of Baker School Board
P. O. Box 680
Baker, Louisiana 70704-0680

We have audited the financial statements of the governmental activities, each major fund and the remaining fund information of the City of Baker School Board, which collectively comprise the basic financial statements as listed in the table of contents of the independent auditors' report, as of and for the year ended June 30, 2008, and have issued our report thereon dated December 19, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the provisions of OMB Circular A-133.

As a part of our examination, we have issued our report on the financial statements, dated December 19, 2008, and our report on internal control and compliance with laws, regulations, and contracts, also dated December 19, 2008.

During the course of our examination, we became aware of the following matters which represent immaterial deviations of compliance or suggestions for improved internal controls.

~~~~~  
**MANAGEMENT POINTS**  
~~~~~

M2008-01 Employee Training

Condition/Effect: Accounting personnel have not been formally trained on the software currently being utilized by the Board. Because of this, additional time is needed to perform routine functions and the margin for error is increased.

Recommendation: We recommend that all accounting personnel be provided with formal training on the current software being utilized provided that consideration has been given to the cost of the training and, in light of the cost, whether the current system is effective.

Management's Response: "We will give consideration to this recommendation in order to increase the knowledge and capabilities of our current and future staff."

M2008-02 Student Activity Accounts

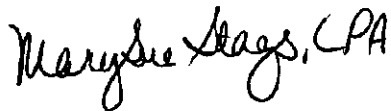
Condition/Effect: Personnel responsible for maintaining student activity accounts at the Board's five schools have not had formal training on QuickBooks, the accounting software utilized for these accounts. Additionally, the chart of accounts includes numerous sub-accounts for cash thereby increasing the opportunity for error. It also provides that funds received be classified as revenues as opposed to a liability for the specific purpose for which the funds were received.

Recommendation: We recommend that the designed staff member at the schools be given training on QuickBooks and that an additional staff member be appointed to maintain these accounts in the absence of the designee. We further recommend that the chart of accounts be simplified and that it properly reflect the activities of the students and school general fund.

Management's Response: "We are aware of this need and will give proper consideration to addressing it."

The recommendations offered are provided for your consideration as an improvement to operations and the administration of public programs. We are available to discuss them further or to help with implementation.

Sincerely,

A handwritten signature in black ink that reads "Mary Sue Stages, CPA". The signature is written in a cursive, flowing style.

Mary Sue Stages, CPA
A Professional Accounting Corporation
December 19, 2008